

**Frederick County Department of  
Housing and Community Development**

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**Housing Initiative Fund  
DEFERRED LOAN PROGRAM DESCRIPTION**

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I. Purpose

The purpose of the Deferred Loan Program (DLP) is to provide flexible loans to help create and preserve affordable housing for Frederick County through leveraging of other funding sources, such as local, state, federal, public and private sources. The DLP shall provide funding for capital costs of rental and ownership housing. Repayments to the DLP shall return to a revolving fund to be used for future DLP loans.

II. Responsible Agency/Parties

The Department of Housing and Community Development, Citizens Services Division (Department) under the guidance of the Affordable Housing Council (AHC) shall administer the DLP.

III. Eligibility

A. Eligible DLP Fund Uses

Eligible uses of the DLP funds include acquisition, construction, rehabilitation or preservation of affordable housing within Frederick County and municipalities. Examples include usual and reasonable predevelopment expenses, purchase of existing property, purchase of unimproved land, fees for architects and other professionals, demolition to make way for affordable housing, building materials and labor costs, equipment or fixtures that become a part of real estate, and purchase of federally assisted housing to guarantee continuation of federal assistance. Generally, eligible capital expenditures are those that have a useful life expectancy of at least 15 years. Capital expenditures do not include repair and maintenance costs, salaries, administrative costs, feasibility studies, master plans, legal fees, consultant fees, office equipment or machinery, entertainment or any equipment or furnishings not permanently fixed to the structure.

B. Eligible Applicants

1. Nonprofit or not-for-profit organizations
2. Public housing authorities

3. Government agencies
4. Profit-motivated entities actively involved in the development of affordable housing.

C. Eligible Households

1. Projects must serve households with a total gross income at or below 70% of the Washington MSA median family income limit established by the U.S. Department of Housing and Urban Development, adjusted for household size and automatically adjusted annually when the income limits are published in the Federal Register.
2. Units must be occupied as the primary residence of an eligible household located in Frederick County.

IV. Project Evaluation

A. Threshold Factors for Applicants

1. Is an eligible applicant, serves eligible households, and meets one or more of the following objectives: a) to foster the development of public/private partnerships for the production of affordable housing; b) to promote, where possible, mixed income communities through the creation and equitable distribution of affordable housing units; c) to preserve housing that would be lost from the affordable housing stock; d) to renovate affordable distressed properties; and e) to fulfill a critical housing need in Frederick County.
2. Leverages a minimum of 5-1 from other sources (local, state, federal or private).
3. Complies with County, municipality, land use, zoning, and Adequate Public Facilities Ordinance requirements (as applicable).
4. Provides evidence of commitment for long term use of affordable housing – minimum of 15 years for ownership units and 25 years for rental units.
5. Project must be located in Frederick County.
6. If an application is submitted for a project that is only a portion of an undertaking, the applicant must provide project residents equal access to all amenities and common areas within the larger undertaking. In addition, units in the project must have amenities that are comparable to those in the basic unit available in the rest of the undertaking.

B. Priority Points/Factors for Projects

Preference is given to projects that serve households with incomes at or less than 50% of median, with more points being awarded to projects that serve the lowest income households as follows:

### Priority Points

1. Project serves families earning from 0 to 50% of Median Income - 0-50 points\*
2. Project is located within walking distance to public transportation/employment - 10 points
3. Project has lowest cost per unit - 30 points
4. Project has highest ratio leveraged of total cost - 35 points
5. (See #2 under D. Threshold Factors for applicants- minimum 5-1)

\* 10 points for each 10% at or below 50% of Median.

## V. Process

### A. Steps for Applicant

1. When funds are available, applications will be accepted on a year-round basis.
2. The Department will review applications to ensure the project meets program objectives, meets all eligibility requirements and the thresholds of the DLP description. The Department will award priority points as appropriate and rank the applications.
3. The Director of Housing may approve, decline, or defer loan applications based on the DLP criteria. Decisions by the Director of Housing are final. If the loan application is approved, the Director of Housing shall issue a commitment letter to the applicant. The letter will specify the amount of the loan, the date that funds are expected to be available, and the procedure by which an Agreement will be prepared.
4. If an application is submitted for a project that is only a portion of an undertaking, the applicant must provide project residents equal access to all amenities and common areas within the larger undertaking. In addition, units in the project must have amenities that are comparable to those in the basic unit available in the rest of the undertaking.
5. Any request for an extension to the Agreement must be in writing to the Director of Housing.
6. The approved applicant must submit biannual reports until completion of the project and an annual compliance certification thereafter.
7. The Director of Housing reserves the right to terminate the Agreement in the event that an applicant: 1) loses the ability to proceed with the project; 2) makes material alterations; or 3) fails to comply with the project schedule.

### B. Documentation of Security/Repayment

The Department or applicant will record appropriate mortgage or lien documents (lien documents) in the land records to secure repayment to the BOCC of the principal amount of the deferred loan. Lien documents shall be recorded prior to disbursements of funds.

The lien documents shall require repayment upon the earlier of the sale, refinance or transfer of title to the property, or, in the case of rentals, when the unit is no longer occupied by an eligible household.

C. Eligibility Period

If the proposed unit has not been constructed or occupied by an eligible household within the time specified by the Agreement or extension thereof, the application may be reevaluated and voided, or repayment of the loan may be required.

D. Compliance and Monitoring

The applicant must provide progress reports to the Department on July 1 and January 1 of each year through project completion. Upon completion an annual Certification of Compliance is required to be submitted by January 1st of each year. The Department may, at any time, inspect and monitor the records and work of the proposed project as to performance and compliance with program rules and requirements.

VI. Miscellaneous

A. Privacy

Loan applications, especially personal and financial information on all applicants, shall be kept confidential. The public may access general information regarding approved applicants, the amount of the loan, the funds to be leveraged and the number of units to be produced.

B. Lobbying

Applicants are prohibited from engaging in any activities designed to lobby County staff, AHC members, the BOCC, or others connected with the DLP of Frederick County.

C. Continued Verification

The Department shall periodically review the outstanding deferred loans to verify continued compliance with the program requirements.

D. Supplemental Program

The DLP may be used in conjunction with other available affordable housing programs and incentives.